

# House Study Bill 279

HOUSE FILE \_\_\_\_\_  
BY (PROPOSED COMMITTEE ON WAYS  
AND MEANS BILL BY  
CHAIRPERSON SHOMSHOR)

Passed House, Date \_\_\_\_\_ Passed Senate, Date \_\_\_\_\_  
Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_ Vote: Ayes \_\_\_\_\_ Nays \_\_\_\_\_  
Approved \_\_\_\_\_

## A BILL FOR

1 An Act directing the director of revenue to negotiate reciprocal  
2 income tax agreements with other states.  
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:  
4 TLSB 2687HC 83  
5 tw/mg:sc/24

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1 1 Section 1. Section 422.8, subsection 5, Code 2009, is  
1 2 amended to read as follows:  
1 3 5. a. The director may, in accordance with the provisions  
1 4 of this subsection, and when cost-efficient, administratively  
1 5 feasible, and of mutual benefit to both states, enter into  
1 6 reciprocal agreements with tax administration agencies of  
1 7 other states to further tax administration and eliminate  
1 8 duplicate withholding by exempting from Iowa taxation income  
1 9 earned from personal services in Iowa by residents of another  
1 10 state, if the other state provides a tax exemption for the  
1 11 same type of income earned from personal services by Iowa  
1 12 residents in the other state. For purposes of this  
1 13 subsection, "income earned from personal services" means  
1 14 wages, salaries, commissions, and tips, and earned income from  
1 15 other sources. This subsection does not authorize the  
1 16 department to withhold taxes on deferred compensation  
1 17 payments, pension distributions, and annuity payments when  
1 18 paid to a nonresident of the state of Iowa. All the terms of  
1 19 the agreements shall be described in the rules adopted by the  
1 20 department.

1 21 b. The director shall enter into negotiations with other  
1 22 states to establish reciprocal agreements with the tax  
1 23 administration agencies of these states to further tax  
1 24 administration and eliminate duplicate withholding by  
1 25 exempting from Iowa taxation income earned from personal  
1 26 services in Iowa by residents of another state, if the other  
1 27 state provides a tax exemption for the same type of income  
1 28 earned from personal services by Iowa residents in the other  
1 29 state. The director shall annually report to the general  
1 30 assembly on the states with which negotiations are being  
1 31 carried out and the possibility of agreements being reached.

1 32 c. A reciprocal agreement entered into on or after April  
1 33 4, 2002, with a tax administration agency of another state  
1 34 shall not take effect until such agreement has been authorized  
1 35 by a constitutional majority of each house of the general  
2 1 assembly and approved by the governor. A reciprocal agreement  
2 2 in effect on or after January 1, 2002, shall not be terminated  
2 3 by the state of Iowa unless the termination has been  
2 4 authorized by a constitutional majority of each house of the  
2 5 general assembly and approved by the governor. An amendment  
2 6 to an existing reciprocal agreement does not constitute a new  
2 7 agreement.

## EXPLANATION

2 8  
2 9 This bill directs the director of revenue to enter into  
2 10 negotiations with other states for the purpose of establishing  
2 11 reciprocal agreements that would assist in tax administration  
2 12 and exempt from taxation income earned from wages, salaries,  
2 13 commissions, and tips in Iowa by residents of the other state  
2 14 if a like kind exemption is provided to Iowa residents by that  
2 15 state. At present, Illinois is the only state with which Iowa  
2 16 has such an agreement.

2 17 The director is to report annually to the general assembly  
2 18 on the negotiations that are taking place and the possibility

2 19 of agreements being entered into.  
2 20 LSB 2687HC 83  
2 21 tw/mg:sc/24